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UNCLAS SECTION 01 OF 03 PARIS 000457

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SENSITIVE

STATE FOR EB/IFD
TREASURY FOR DO/IDD AND OUSED/IMF
SECDEF FOR USDP/DSAA
PASS EXIM FOR CLAIMS -- EDELARIVA
PASS USDA FOR CCC -- ALEUNG/DERICKSON/KCHADWICK
PASS USAID FOR CLAIMS
PASS DOD FOR DSCS -- PBERG

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [EAID](#) [XM](#) [XA](#) [XH](#) [XB](#) [XF](#) [FR](#)

SUBJECT: PARIS CLUB HOLDS INFO SESSION ON IRAQ DEBT

SENSITIVE BUT UNCLASSIFIED. NOT FOR INTERNET
DISTRIBUTION

REF: 04 Paris 8416

SUMMARY

[1](#)1. (SBU) Following up on the November 21 restructuring of Iraqi debt, the Paris Club hosted an informational meeting for non-Paris Club creditors on January 13, explaining how the agreement achieves an 80 percent reduction of debt in three stages as well as the Iraqi obligation to seek comparable treatment from those creditors. Creditor countries reported on the mostly limited contacts from the IIG to reconcile debt figures, and some provided data about debt totals. End Summary.

[1](#)2. (U) NOTE: INDIVIDUAL CREDITOR POSITIONS REPORTED IN THIS MESSAGE SHOULD BE TREATED AS "PARIS CLUB CONFIDENTIAL" AND NOT/NOT DISCUSSED WITH DEBTOR COUNTRY

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REPRESENTATIVES, NOR WITH NON-PARIS CLUB PARTICIPANTS.

[1](#)3. (U) The Secretariat of the Paris Club invited certain non-Paris Club creditors to an informational session in Paris on January 13, on the margins of the regular Paris Club January session, to explain the agreement struck to provide debt relief to Iraq (reftel). In attendance were representatives from the Embassies of Bulgaria, Cyprus, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, and Turkey, in addition to delegations from the Paris Club member countries.

[1](#)4. (SBU) The Secretariat made an extensive presentation on the Iraq debt relief agreement, highlighting the obligation imposed on Iraq to seek comparable debt relief from all its other creditors. The Secretariat asked whether the IIG has contacted non-Paris Club members to discuss comparability of treatment (CoT). Turkey stated it had nothing concrete to report, but the IIG has made some preliminary contacts. Slovakia said nothing has yet been taken up nor done by the IIG. Romania reported IIG officials had paid a visit to Bucharest in December, who had indicated that after the elections in Iraq, perhaps in February, they would arrange meetings to reconcile total debt amount. Poland said no talks have been held, formal or technical. Some political level discussions have been held, but not on debt issues. Hungary said it had had no contacts yet from the IIG. The Hungarians had requested confirmation of their debt claims but had not received an answer. Hungary asked the Secretariat about the reactions of other creditors, particularly the Gulf States.

[1](#)5. (SBU) The Secretariat reported that Kuwait has indicated its agreement to comparability of treatment (e.g., 80 percent debt cancellation) on debt totaling around USD 10 billion. Bahrain has also indicated its intention to go along with CoT, but there is nothing concrete yet. The Saudis have made contact with the IIG, but have differences regarding the reconciliation of certain types of debt and so there is nothing more concrete yet. Within the Paris Club, creditor countries agreed to a six-month time frame to sign bilateral agreements implementing the debt deal. The USG signed its bilateral in December, which is the only one done yet. The Italian representative reported that it also is in the process of finalizing its bilateral agreement. It has prepared a draft, which is awaiting Iraqi signature after the election. The Italy rep added that Italy had heard from Jordan that Poland had agreed to reduce the portion of its debt owed to Iraq. The Polish rep denied bilateral talks on debt reduction had begun, and denied

any knowledge of any such statement. Italy inquired the Secretariat about China, and the Secretariat stated it

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had proposed setting up an informational session, but had not yet gotten a reply.

16. (SBU) Germany, noting that it still has not finished reconciling its debt with the IIG, asked creditors about the size of their claims. The Russia delegate observed that it too has not finished its reconciliation of claims, which is holding up its bilateral agreement. Responding to a query from Poland, Russia said the nominal value of its debt reduction is the same as other creditors, but due to the terms of its entry into the Paris Club, it grants an additional upfront reduction that translates into a larger discount.

17. (SBU) Turkey said its claims total USD 1.3 billion, of which over 1 billion is owed to the Turkish Central Bank and the rest (USD 300 million) to its export bank. Most of the debt is from a dam construction project. Including late interest and arrears, it has about 400 million owed in private sector debt.

18. (SBU) Romania said its claims as of February 1990 totaled USD 1.7 billion. Including interest since 1993, as of December 2004 the outstanding claims total USD 2.6 billion, which are all official government claims.

19. (SBU) Poland said total claims are close to USD 780 million (500 in principal, 280 interest and late interest), which are all from government credit agencies and which all were reported to the IMF.

10. (SBU) Hungary said its claims total USD 120 million, of which over 90 percent are guaranteed export credits.

11. (U) Other creditors offered to provide data to the Secretariat at later dates. In closing the meeting, the

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Secretariat noted it is available to help in reconciling

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claims, and will continue its efforts to educate other non-Paris Club creditors.

Baghdad minimize considered.

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